

UNITED STATES OF AMERICA
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

Annual Compliance Report, 2015

Docket No. ACR2015

CHAIRMAN'S INFORMATION REQUEST NO. 9

(Issued February 4, 2016)

To clarify the Postal Service's FY 2015 Annual Performance Report (FY 2015 Report) and FY 2016 Annual Performance Plan (FY 2016 Plan),¹ the Postal Service is requested to provide written responses to the following requests. Answers should be provided to individual requests as soon as they are developed, but no later than February 11, 2016.

Ensure a Safe Workplace and Engaged Workforce

1. In Docket No. ACR2014, the Postal Service stated its FY 2015 performance target for average training hours per employee was 6.7 hours.² Please provide the:
 - a. Average training hours per employee for FY 2015; and the
 - b. FY 2016 performance target for the average training hours per employee. If FY 2016 performance targets have not been developed, please explain why the Postal Service has not developed these targets for FY 2016.

¹ The FY 2015 Report and FY 2016 Plan are included in the Postal Service's FY 2015 Annual Report. See Library Reference USPS-FY15-17, December 29, 2015, at 11-28 (FY 2015 Annual Report).

² Docket No. ACR2014, United States Postal Service Response to Question 6 of Chairman's Information Request No. 14, March 26, 2015, question 6b (March 26 Response to CHIR No. 14).

2. In Docket No. ACR2014, the Postal Service stated its FY 2015 performance target for average annual turnover rate of non-career employees was 20 percent, and its FY 2015 performance target for average annual turnover rate of external hires was 4.5 percent. March 26 Response to CHIR No. 14, question 6b. Please provide the:
 - a. Average annual turnover rate of non-career employees for FY 2015;
 - b. Average annual turnover rate of external hires for FY 2015;
 - c. FY 2015 turnover rate for each category of non-career employees shown on page 27 of the FY 2015 Annual Report (e.g., casuals, postal support employees); and the
 - d. FY 2016 performance targets for average annual turnover rate for non-career employees and external hires. If FY 2016 performance targets have not been developed, please explain why the Postal Service has not developed these targets for FY 2016.
3. The Postal Service states that in FY 2015, it “hired more than 117,000 non-career employees in all flexible workforce categories, including postal support employee (PSE), city carrier assistant (CCA), mail handler assistant (MHA), rural carrier associate (RCA), casual and Postmaster relief (PMR).” FY 2015 Annual Report at 41. The Postal Service also notes that it “participated in career events to recruit for targeted positions where there’s a major hiring need, such as operations industrial engineers (OIEs), CCAs, PSEs and MHAs.” *Id.* Please refer to these statements and the “USPS Employees” table on page 27 of the FY 2015 Annual Report.
 - a. Please discuss whether and how the 117,000 non-career employee hires in FY 2015 are reflected in the FY 2015 “USPS Employees” counts on page 27 of the FY 2015 Annual Report.

- b. Please include a discussion of all relevant factors affecting the number of employees in each category of career and non-career employees between FY 2014 and FY 2015.
 - c. Does the Postal Service continue to have “a major hiring need” for OIEs, CCAs, PSEs, and MHAs? If yes, please explain why the Postal Service was unable to recruit the intended number of flexible workforce employees and its plans in FY 2016 to fill its hiring needs.
4. In the 2015 Report on Form 10-K, the Postal Service states, “[t]his increase [4,000 career employees between FY 2014 and FY 2015] is the result, *in part*, of an increase in career employees needed to support the continuing growth in our Shipping and Packages business and the continuing growth in the delivery network.”³ Please discuss the other reasons for the increase in the number of career employees, especially the significant increase in the number of employees for the combined employee category labeled clerks/nurses. FY 2015 Annual Report at 27.

Strategic Initiatives

5. The Postal Service states that in FY 2015, it “focused on the implementation of a portfolio of 18 strategic initiatives to meet its ambitious performance and financial goals.” *Id.* at 64. The “FY 2015 Initiatives” listed on page 65 of the FY 2015 Annual Report only list 17 initiatives.
- a. Please list the 18 strategic initiatives the Postal Service focused on implementing in FY 2015.

³ United States Postal Service, 2015 Report on Form 10-K, November 13, 2015, at 19 (emphasis added).

- b. Using Table 1 below, please provide the FY 2016 strategic initiatives and explain any differences between FY 2015 and FY 2016, including how and why the strategic initiative changed from FY 2015.

Table 1
FY 2015 and FY 2016 Strategic Initiatives

Performance Goal	FY 2015 Strategic Initiatives	Change From Prior Year	FY 2016 Strategic Initiatives
Service	Optimize Network Operations		
	Optimize Delivery Operations		
	Transform Access		
	Optimize Facility Footprint		
	Build a World-Class Package Platform		
	Modernize Delivery		
Customer Experience	Improve Customer Experience		
	Leverage Technology and Data to Drive Business Value		
Financial	Accelerate Innovation		
	Sales Excellence		
	International Competitiveness		
	Achieve 100% Customer and Revenue Visibility		
	Revenue Assurance		
	Greenfield Costing		
Workplace	Building the Workforce of the Future		
	Building an Integrated Human Resource System		
Source: <i>Id.</i> at 65.			

- c. Please explain the differences between the strategic initiatives and the Delivering Results, Innovation, Value and Efficiency (DRIVE) portfolio of initiatives. *See id.* at 64.
- d. If strategic initiatives differ from DRIVE initiatives, please provide a table similar to Table 1 above comparing the FY 2015 and FY 2016 DRIVE initiatives.

6. The following requests relate to cross-portfolio performance indicators.
- a. Please provide FY 2015 results and FY 2016 targets for each cross-portfolio performance indicator listed in Table 2 below.

Table 2
Cross-Portfolio Performance Indicators

Cross-Portfolio Performance Indicators	FY 2016 TARGET	FY 2015 TARGET	FY 2015 RESULT
Estimated Value of Closed Sales and Churn Reduction (\$ Billions)		\$5.45	
Total DRIVE Cost Savings (\$ Billions)		\$0.75	
Total Work Hours Reduced (Millions)		6.2	
Gross Consideration (Facilities) (\$ Millions)		\$175	
Commercial Mail in Full Service IMb (%)		85.0%	
Package Scanning Rate (%)		99.0%	
Sources: Docket No. ACR2014, United States Postal Service Responses to Questions 1-5, 8 and 9 of Chairman's Information Request No. 5, February 10, 2015, question 9; and Docket No. ACR2014, United States Postal Service Response to Question 28 of Chairman's Information Request No. 13, March 30, 2015, question 28c.			

- b. Please identify any changes to the cross-portfolio performance indicators from the information provided in Docket No. ACR2014.

Deliver High-Quality Service

7. In its Analysis of the Postal Service's FY 2014 Program Performance Report and FY 2015 Performance Plan, the Commission recommended that:

[T]he Postal Service include disaggregated delivery service performance measurements in its FY 2015 Report for time periods, geographic regions, or products in cases where the overall service performance indicator result fails to meet the FY 2015 target, yet the disaggregated delivery service performance results show service performance met or exceeded FY 2015 targets.⁴

Please refer to the Deliver High-Quality Service performance indicators listed on page 14 of the FY 2015 Annual Report. For each performance indicator, please explain whether the Postal Service met its performance targets in any geographic region (e.g., postal district or area) during FY 2015.

8. The Postal Service observes that 2-Day and 3-5 Day service performance for Single-Piece First-Class Mail was impacted by "[t]he ongoing growth in package mail [which] resulted in continual balancing between air and surface networks." FY 2015 Annual Report at 15.
- a. Please explain how the balancing between air and surface networks impacted the Postal Service's ability to meet its service performance targets. In its response, the Postal Service should also explain how such network balancing activities relate to the air capacity constraints discussed in its response to question 19 of CHIR No. 2.⁵

⁴ Docket No. ACR2014, Analysis of the Postal Service's FY 2014 Program Performance Report and FY 2015 Performance Plan, July 7, 2015, at 22.

⁵ Responses of the United States Postal Service to Questions 15-26 of Chairman's Information Request No. 2, January 19, 2016, question 19 (Response to CHIR No. 2).

- b. Please provide data and supporting workpapers that quantify the impact of the network balancing activities on service performance results (e.g., the percentage decrease in service performance attributable to network balancing activities).
 - c. Please explain what actions the Postal Service is taking to mitigate the effect of such network balancing activities on service performance results.
9. The Postal Service observes that overall service performance was impacted by the implementation of “major changes to create efficiencies in processing that resulted in complement shifts [that] initially impacted our ability to achieve the targets.” Response to CHIR No. 2, question 19.
- a. Please describe each of the major changes that were implemented to create efficiencies in processing and explain how they resulted in complement shifts. In the explanation, please also clarify the meaning of the term “complement shifts.”
 - b. Please provide data and supporting workpapers that quantify the impact of complement shifts on service performance results (e.g., the percentage decrease in service performance attributable to complement shifts).
 - c. Please explain what actions the Postal Service is taking to mitigate the effects of complement shifts on service performance results.
10. In Docket No. ACR2014, the Postal Service stated that “[d]uring FY2015, the performance measures for Presort First-Class Mail and for Standard Composite will change.”⁶ For the FY 2015 Presort First-Class Mail performance measures, the Postal Service explains that the change “may affect the comparability between FY2014 and FY2015 results....” March 25 Response to CHIR No. 14,

⁶ Docket No. ACR2014, Responses of the United States Postal Service to Questions 1, 4-5, and 8 of Chairman’s Information Request No. 14, March 25, 2015, question 1 (March 25 Response to CHIR No. 14).

question 1. In its Annual Report on Service Performance for Market Dominant Products, the Postal Service confirms that “[i]n FY 2015 the First-Class Mail Presort flats measurement was performed using the full service Intelligent Mail approach,” and that “the use of proxy data from [the External First-Class Measurement System (EXFC)] to measure presort flats was discontinued.”⁷

- a. Please explain whether the use of Intelligent Mail data for Presort First-Class Mail Flats (versus the use of proxy data from the EXFC) had any impact on the FY 2015 Presort First-Class Mail (Overnight, 2-Day, and 3-5-Day) and First-Class Mail Composite performance results. Include a quantification accompanied by supporting workpapers, of any impacts discussed (e.g., the percentage change in service performance attributable to the use of the new data).
 - b. Please discuss whether the FY 2015 results for the Presort First-Class Mail (Overnight, 2-Day, and 3-5-Day) and First-Class Mail Composite performance measures are comparable to the results from FYs 2012 through 2014. If the results are not directly comparable, please explain how the FY 2015 results can be compared with the results from prior fiscal years.
11. For the FY 2015 Standard Composite performance measure, the Postal Service explains that Every Door Direct Mail – Retail (EDDM – Retail) data would be included and that “its inclusion...may impact the comparability of service performance results for FY2014 and FY2015.” March 25 Response to CHIR No. 14, question 1. In its Annual Report on Service Performance for Market Dominant Products, the Postal Service confirmed that it “implemented the

⁷ Library Reference USPS-FY15-29, PDF file “Service Performance ACR FY15.pdf,” December 29, 2015, at 8 (Annual Service Performance Report).

measurement process for [EDDM – Retail].” Annual Service Performance Report at 13.

- a. Please explain whether the inclusion of the EDDM – Retail data impacted the overall FY 2015 Standard Composite performance results. Include a quantification, accompanied by supporting workpapers of any impacts discussed (*e.g.*, the percentage change in service performance attributable to the inclusion of the new data).
- b. Please discuss whether the overall FY 2015 Standard Composite performance results are comparable to the results from FYs 2012 through 2014. If the results are not directly comparable, please explain how the FY 2015 results can be compared with the results from prior fiscal years.

By the Acting Chairman.

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